

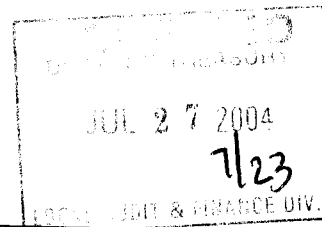
BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY

MERRITT, MICHIGAN

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.



| | | | |
|---|--------------------------------|--|----------------------------|
| Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other | | Local Government Name Butterfield Township | County Missaukee |
| Audit Date 3/31/04 | Opinion Date 6/14/04 | Date Accountant Report Submitted to State: July 16, 2004 | |

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

| | Enclosed | To Be Forwarded | Not Required |
|---|----------|-----------------|--------------|
| The letter of comments and recommendations. | ✓ | | |
| Reports on individual federal financial assistance programs (program audits). | | | ✓ |
| Single Audit Reports (ASL GU). | | | ✓ |

| | | | |
|--|--|-------------------------|------------------------|
| Certified Public Accountant (Firm Name) BAIRD, COTTER AND BISHOP, P.C. | | | |
| Street Address 134 W. HARRIS STREET | | City CADILLAC | State MI |
| Accountant Signature | | ZIP 49601 | Date 7/14/04 |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

MARCH 31, 2004

TABLE OF CONTENTS

| | <u>EXHIBIT</u> | <u>PAGES</u> |
|---|------------------|--------------|
| Independent Auditors' Report | | 1-2 |
| <u>GENERAL-PURPOSE FINANCIAL STATEMENTS</u> | | |
| Combined Statement of Assets and Liabilities Arising from Cash Transactions - All Fund Types | A | 3 |
| Combined Statement of Cash Receipts, Disbursements and Changes in Balances - All Governmental Fund Types | B | 4 |
| Combined Statement of Cash Receipts, Disbursements and Changes in Balances - Budget and Actual - All Governmental Fund Types | C | 5-6 |
| Notes to Financial Statements | | 7-14 |
| <u>FINANCIAL STATEMENTS OF INDIVIDUAL FUNDS</u> | | |
| | <u>STATEMENT</u> | |
| <u>General Fund</u> | | |
| Statement of Assets and Liabilities Arising from Cash Transactions | 1 | 15 |
| Statement of Cash Receipts, Disbursements and Changes in Balance - Budget and Actual | 2 | 16 |
| <u>Special Revenue Funds</u> | | |
| Combining Statement of Assets and Liabilities Arising from Cash Transactions | 3 | 17 |
| Combining Statement of Cash Receipts, Disbursements and Changes in Balances | 4 | 18 |
| <u>Road Fund</u> | | |
| Statement of Assets and Liabilities Arising from Cash Transactions | 5 | 19 |
| Statement of Cash Receipts, Disbursements and Changes in Balance | 6 | 20 |
| <u>Fire Fund</u> | | |
| Statement of Assets and Liabilities Arising from Cash Transactions | 7 | 21 |
| Statement of Cash Receipts, Disbursements and Changes in Balance | 8 | 22 |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

MARCH 31, 2004

TABLE OF CONTENTS

| | <u>STATEMENT</u> | <u>PAGES</u> |
|---|------------------|--------------|
| <u>Fiduciary Fund</u> | | |
| <u>Current Tax Collection Fund</u> | | |
| Statement of Assets and Liabilities Arising from Cash Transactions | 9 | 23 |
| Statement of Cash Receipts, Disbursements and Changes in Balance | 10 | 24-25 |
| <u>OTHER INFORMATION</u> | | |
| <u>Tax Roll Statements</u> | | |
| Statement of 2003 Property Tax Roll | 11 | 26-27 |
| <u>Letter of Comments and Recommendations</u> | | 28-29 |
| <u>Letter of Reportable Conditions</u> | | 30-31 |

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.
M. WAYNE BEATTIE, C.P.A.
1902 - 1990
JACK H. BAIRD, C.P.A.
JERRY L. COTTER, C.P.A.
DALE D. COTTER, C.P.A.

June 14, 2004

INDEPENDENT AUDITORS' REPORT

To the Township Board
Butterfield Township
Missaukee County
Merritt, Michigan

We have audited the accompanying general-purpose financial statements of Butterfield Township, Missaukee County, Merritt, Michigan as of and for the year ended March 31, 2004, as listed in the table of contents. These general-purpose financial statements are the responsibility of the Township. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note I.B, the Township's policy is to prepare its general-purpose financial statements on the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

The general-purpose financial statements referred to above do not include the general fixed asset account group, which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed asset account group is not known.

In our opinion, except for the effects on the financial statements of the omission described in the preceding paragraph, the general-purpose financial statements referred to in the first paragraph present fairly, in all material respects, the cash balances of Butterfield Township, Missaukee County, Merritt, Michigan as of March 31, 2004, and the cash receipts it received and cash disbursements it paid for the year then ended on the basis of accounting described in Note I.B.

Our audit was conducted for the purpose of forming an opinion on the general-purpose financial statements taken as a whole. The accompanying financial information listed as "Financial Statements of Individual Funds" and "Other Information" in the table of contents is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements, and in our opinion, is fairly stated in all material respects in relation to the general-purpose financial statements taken as a whole.

BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter & Bishop, P.C.

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

COMBINED STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

ALL FUND TYPES
MARCH 31, 2004

| | | <u>GOVERNMENTAL FUND TYPES</u> | |
|-------------------------------|--|--------------------------------|----------------------------|
| | | <u>GENERAL</u> | <u>SPECIAL REVENUE</u> |
| <u>ASSETS</u> | | | |
| Cash | | | |
| Money Market Accounts | | | |
| Taxes Receivable | | \$ 88,877 | \$ 20,550 |
| | | 4,751 | 15,345 |
| | | | |
| TOTAL ASSETS | | \$ 93,628 | \$ 35,895 |
| <u>LIABILITIES AND EQUITY</u> | | | |
| <u>LIABILITIES</u> | | | |
| Deferred Revenue | | \$ 4,751 | \$ 15,345 |
| Payroll Withholdings | | 860 | 0 |
| | | | |
| Total Liabilities | | \$ 5,611 | \$ 15,345 |
| <u>EQUITY</u> | | | |
| Balance | | | |
| Reserved for | | | |
| Road Improvement | | \$ 0 | \$ 20,550 |
| Unreserved | | | |
| Undesignated | | 88,017 | 0 |
| | | | |
| Total Equity | | \$ 88,017 | \$ 20,550 |
| | | | |
| TOTAL LIABILITIES AND EQUITY | | \$ 93,628 | \$ 35,895 |

EXHIBIT A

| <u>FIDUCIARY FUND TYPE AGENCY</u> | <u>TOTAL (MEMORANDUM ONLY)</u> |
|---|--|
| \$ 316 | \$ 109,743 |
| 0 | 20,096 |
| <u>\$ 316</u> | <u>\$ 129,839</u> |
| | |
| \$ 0 | \$ 20,096 |
| 0 | 860 |
| <u>\$ 0</u> | <u>\$ 20,956</u> |
| | |
| \$ 0 | \$ 20,550 |
| 316 | 88,333 |
| <u>\$ 316</u> | <u>\$ 108,883</u> |
| | |
| \$ 316 | \$ 129,839 |
| <u>316</u> | <u>129,839</u> |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES

ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

| | <u>GOVERNMENTAL FUND TYPES</u> | | <u>TOTAL</u> |
|--|--------------------------------|----------------|--------------------|
| | <u>GENERAL</u> | <u>SPECIAL</u> | <u>(MEMORANDUM</u> |
| | | <u>REVENUE</u> | <u>ONLY)</u> |
| <u>RECEIPTS</u> | | | |
| Taxes | \$ 29,128 | \$ 65,257 | \$ 94,385 |
| State Grants | 39,703 | 0 | 39,703 |
| Charges for Services | 250 | 0 | 250 |
| Interest and Rents | 327 | 50 | 377 |
| Other Receipts | 387 | 0 | 387 |
| Total Receipts | \$ 69,795 | \$ 65,307 | \$ 135,102 |
| <u>DISBURSEMENTS</u> | | | |
| Legislative | | | |
| Township Board | \$ 13,199 | \$ 0 | \$ 13,199 |
| General Government | | | |
| Supervisor | 3,335 | 0 | 3,335 |
| Assessor | 8,163 | 0 | 8,163 |
| Clerk | 8,339 | 0 | 8,339 |
| Board of Review | 1,480 | 0 | 1,480 |
| Treasurer | 11,481 | 0 | 11,481 |
| Building and Grounds | 9,042 | 0 | 9,042 |
| Cemetery | 572 | 0 | 572 |
| Public Safety | 0 | 21,524 | 21,524 |
| Public Works | 346 | 68,408 | 68,754 |
| Recreation | 1,699 | 0 | 1,699 |
| Other Functions | 8,900 | 0 | 8,900 |
| Total Disbursements | \$ 66,556 | \$ 89,932 | \$ 156,488 |
| Excess of Receipts Over (Under) Disbursements | \$ 3,239 | \$ (24,625) | \$ (21,386) |
| <u>OTHER FINANCING SOURCES</u> | | | |
| Operating Transfers In | \$ 0 | \$ 10,000 | \$ 10,000 |
| Operating Transfers Out | (10,000) | 0 | (10,000) |
| Total Other Financing Sources (Uses) | (10,000) | 10,000 | 0 |
| Excess of Receipts and Other Sources Over (Under) Disbursements | \$ (6,761) | \$ (14,625) | \$ (21,386) |
| <u>BALANCE - April 1, 2003</u> | 94,778 | 35,175 | 129,953 |
| <u>BALANCE - March 31, 2004</u> | \$ 88,017 | \$ 20,550 | \$ 108,567 |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES

FOR THE YEAR ENDED MARCH 31, 2004

| | GENERAL FUND | | |
|---|--------------|-----------|---|
| | BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) |
| <u>RECEIPTS</u> | | | |
| Taxes | \$ 24,427 | \$ 29,128 | \$ 4,701 |
| State Grants | 43,000 | 39,703 | (3,297) |
| Charges for Services | 0 | 250 | 250 |
| Interest and Rents | 800 | 327 | (473) |
| Other Receipts | 0 | 387 | 387 |
| Total Receipts | \$ 68,227 | \$ 69,795 | \$ 1,568 |
| <u>DISBURSEMENTS</u> | | | |
| Legislative | | | |
| Township Board | \$ 12,053 | \$ 13,199 | \$ (1,146) |
| General Government | | | |
| Supervisor | 4,000 | 3,335 | 665 |
| Election | 1,500 | 0 | 1,500 |
| Assessor | 7,638 | 8,163 | (525) |
| Clerk | 8,339 | 8,339 | 0 |
| Board of Review | 1,600 | 1,480 | 120 |
| Treasurer | 12,000 | 11,481 | 519 |
| Building and Grounds | 9,042 | 9,042 | 0 |
| Cemetery | 1,200 | 572 | 628 |
| Public Safety | 0 | 0 | 0 |
| Public Works | 0 | 346 | (346) |
| Recreation | 4,200 | 1,699 | 2,501 |
| Other Functions | 13,408 | 8,900 | 4,508 |
| Total Disbursements | \$ 74,980 | \$ 66,556 | \$ 8,424 |
| Excess of Receipts Over (Under) Disbursements | \$ (6,753) | \$ 3,239 | \$ 9,992 |

EXHIBIT CSPECIAL REVENUE FUND TYPES

| <u>BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE- FAVORABLE (UNFAVORABLE)</u> |
|---------------|---------------|--|
| \$ 72,517 | \$ 65,257 | \$ (7,260) |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 50 | 50 | 0 |
| 0 | 0 | 0 |
| \$ 72,567 | \$ 65,307 | \$ (7,260) |
| \$ 0 | \$ 0 | \$ 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| 23,968 | 21,524 | 2,444 |
| 58,599 | 68,408 | (9,809) |
| 0 | 0 | 0 |
| 0 | 0 | 0 |
| \$ 82,567 | \$ 89,932 | \$ (7,365) |
| \$ (10,000) | \$ (24,625) | \$ (14,625) |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

COMBINED STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL - ALL GOVERNMENTAL FUND TYPES
FOR THE YEAR ENDED MARCH 31, 2004

| | GENERAL FUND | | |
|---|--------------|------------|---|
| | BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) |
| <u>OTHER FINANCING SOURCES (USES)</u> | | | |
| Operating Transfers In (Out) | (10,000) | (10,000) | 0 |
| Excess of Receipts and Other Sources Over (Under) Disbursements and Other Uses | \$ (16,753) | \$ (6,761) | \$ 9,992 |
| <u>BALANCE</u> - April 1, 2003 | 0 | 94,778 | 94,778 |
| <u>BALANCE</u> (Deficit) - March 31, 2004 | \$ (16,753) | \$ 88,017 | \$ 104,770 |

The accompanying notes are an integral part of these financial statements.

EXHIBIT C

| SPECIAL REVENUE FUND TYPES | | |
|----------------------------|-------------|---|
| BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE) |
| 10,000 | 10,000 | 0 |
| \$ 0 | \$ (14,625) | \$ (14,625) |
| 0 | 35,175 | 35,175 |
| \$ 0 | \$ 20,550 | \$ 20,550 |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Butterfield Township is a general law township located in Missaukee County which operates under the direction of an elected township board. Under the criteria established by generally accepted accounting principles, the Township has determined that there are no component units which should be included in its reporting entity.

B. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the Township are organized on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds. The Township has no long-term debts which would be recorded in the general long-term debt account group.

The Township has the following fund types:

Governmental funds are used to account for the Township's general government activities. The Township uses the flow of economic resources measurement focus and the modified cash basis of accounting for these funds which is an other comprehensive basis of accounting (OCBOA). Under the modified cash basis of accounting, revenues are recognized when collected (i.e., when cash is received). Expenditures are recorded when cash is disbursed.

Governmental funds include the following fund types:

The general fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The special revenue funds account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects).

Fiduciary funds account for assets held by the Township in a trustee capacity or as an agent on behalf of others. Fiduciary funds include the following fund type:

The Current Tax Collection Fund is an agency fund and is custodial in nature. It does not present results of operation or have a measurement focus. The agency fund also uses the modified cash basis of accounting. This fund is used to account for property tax collections which the township makes and distributes for others in an agency capacity.

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

C. Assets, Liabilities and Equity

1. Deposits and Investments

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from date of acquisition.

I. The Township has authorized the Township Treasurer to invest funds as follows:

- (a) In bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- (b) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution.
- (c) In commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- (d) In repurchase agreements consisting of instruments listed in subdivision (a).
- (e) In bankers' acceptances of United States banks.
- (f) In obligations of this state or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than 1 standard rating service.
- (g) Mutual funds registered under the investment company act of 1940 title I of chapter 686, 54 Stat. 789, 15 U.S.C. 80a-1 to 801-3 and 801a-4 to 80a-64, with authority to purchase only investment vehicles that are legal for direct investment by a public corporation. This authorization is limited to securities whose intention is to maintain a net asset value of \$1.00 per share.

2. Receivables and Payables

Under the modified cash basis of accounting, the only noncash asset recorded is a receivable for uncollected property taxes. This receivable is entirely offset by a deferred revenue liability account so that income is only recognized when cash is received. Also, unremitted payroll tax withholdings are classified as liabilities at year end.

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

3. Fixed Assets

Fixed assets used in governmental fund types (general fixed assets) should be accounted for in the General Fixed Assets Account Group at cost or estimated historical cost if purchased or constructed. Donated fixed assets should be recorded at their estimated fair value at the date of donation. Assets in the general fixed assets account group are not depreciated. Interest incurred during construction is not capitalized.

Public domain (infrastructure) general fixed assets (e.g., roads, bridges, sidewalks and other assets that are immovable and of value only to the Township) are not capitalized.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets' lives are not included in the general fixed assets account group. The Township has not established a general fixed asset account group.

4. Fund Equity

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose.

5. Use of Estimates

This presentation of financial statements on the modified cash basis of accounting requires the Township to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of receipts and disbursements during the reporting period. Actual results could differ from those estimates.

6 Memorandum Only - Total Columns

Total columns on the general-purpose financial statements are captioned "Memorandum Only" because they do not represent consolidated financial information and are presented only to facilitate financial analysis. The columns do not present information that reflects financial position, results of operations or cash flows in accordance with generally accepted accounting principles. Interfund eliminations have not been made in aggregation of this data.

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary Information

The annual budgets are adopted on the modified cash basis in accordance with the requirements of Michigan Public Act 621 of 1978 "The Uniform Budgeting and Accounting Act". A public hearing is held to obtain taxpayer comments. Appropriations lapse at year end. Budget amounts presented are as originally adopted on March 18, 2003.

The appropriated budgets are prepared by fund and activity. The Township board exercises budgetary control over expenditures.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the Township because it is not, at present, considered necessary to assure effective budgetary control or to facilitate effective cash planning and control.

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. Deposits and Investments

At year-end, the carrying amount of the Township's deposits was \$109,743 and the bank balance was \$252,244. Of the bank balance, \$179,965 was covered by federal depository insurance. The remaining \$72,279 are in accounts which exceed the federal depository insurance of \$100,000 and are also uncollateralized.

The Township's carrying amount of deposits at year-end are shown below:

| | |
|-----------------------|-------------------|
| Chemical Bank North | <u>TOTAL</u> |
| Grayling, Michigan | |
| Money Market Accounts | |
| | \$ <u>109,743</u> |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

B. Excess of Disbursements Over Appropriations

Disbursements in the following fund exceeded budgeted appropriations:

| | <u>DISBURSEMENTS</u> | <u>APPROPRIATIONS</u> | <u>EXCESS</u> |
|-----------|----------------------|-----------------------|---------------|
| Road Fund | \$ 68,408 | \$ 58,599 | \$ (9,809) |

Excess disbursements in both funds were funded by available fund balance and current year receipts.

C. Road Improvement Fund

In November of 1994 the electors approved a two mill levy for five years for road improvements within the township. The transactions accounting for this levy are reflected in a separate fund labeled "Road Fund." This millage has been renewed.

D. Fire Fund

The Fire Fund as reported in these financial statements shows the transactions of the township fire fund as they would have occurred if all fire monies received for current and delinquent taxes were sent to the fire fund before being sent to the Merritt Area Fire Department. The payments are being sent to the Merritt Area Fire Department directly from the Current Tax Collection Fund and from the General Fund due to the substantial savings of time and bookkeeping procedures.

E. Current Tax Collection Fund Balance

The balance of \$316 remaining in the current tax collection fund at March 31, 2004, consisted of current tax collections, and other items which were transferred to other governments and funds after year-end as follows:

| | |
|----------------------|---------------|
| Butterfield Township | |
| General Fund | |
| Current Tax | \$ <u>316</u> |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

IV. OTHER INFORMATION

A. Property Taxes

The Township levied 1.3580 mills for general operating purposes on a state taxable valuation of \$16,154,918. Also, the Township levied 2.9302 mills for road improvement and 1.4466 mills for fire protection.

Properties are assessed January 1, and the related property taxes become a lien on December 1 of the same year. These taxes are due on or before February 14, with a final collection date of February 28, before they are added to the County tax rolls. Property taxes levied December 1, which are collected prior to the end of the fiscal year are recognized as income in the year in which they are levied.

B. Interest Income

For the year ended March 31, 2004, interest income on investments and interest expense was as follows:

| | INTEREST | |
|-----------------------|---------------|-------------|
| | INCOME | EXPENSE |
| General Fund | \$ 327 | \$ 0 |
| Special Revenue Funds | 50 | 0 |
| | <u>\$ 377</u> | <u>\$ 0</u> |

Note - Interest income earned in the Current Tax Collection Fund is periodically transferred to the General Fund and is shown as General Fund interest income when transferred.

C. Retirement Plan

The Township has a defined contribution pension plan with Municipal Retirement Systems, Inc. which covers Township employees who have satisfied the eligibility requirements. Each employee becomes eligible for coverage on the first policy anniversary date after the employee reaches age 18.

The formula for determining contributions is based on an employee's annual compensation. Annual compensation is based on compensation which coincides with the calendar year coinciding with or ending within the plan year. The plan year is December 20th to December 19th of the following year. The Township has elected to contribute 6% of compensation to the plan annually, and the covered employees have 6% of their compensation withheld annually.

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 2004

Township contributions to the plan for the 2003-04 plan year amounted to \$3,338. In addition, the Township paid an administrative fee of \$175. These contributions and fees represent two years of payments.

Total wages for those covered under the plan was \$28,032 and total wages for all employees including non-covered payroll was \$32,551.

D. Joint Fire District

The Township is a member of the Merritt Area Fire Department. The Fire Department is a joint venture of Enterprise and Butterfield Townships created to provide fire protection for the member townships. As stated in NOTE IV.A, Butterfield Township levies 1.4466 mills to support the Fire Department. A copy of audited financial statements for the Fire Department may be obtained upon request from the Fire Department treasurer.

The following financial information was taken from the Fire Department's March 31, 2004 audited financial statements:

| | |
|---|------------|
| Total Assets and Other Debits | \$ 981,328 |
| Investment in Fixed Assets | 914,368 |
| Balance - Unreserved | 66,835 |
| Total Receipts | 127,935 |
| Total Disbursements | 133,877 |
| Net Increase (Decrease) in Fund Balance | (5,942) |

E. Risk Management

The Township is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township participates in a pool of municipalities within the State of Michigan for self-insuring property and casualty, crime, general liability, errors and omissions and workers compensation insurance. The Township pays annual premiums to the pool for the respective insurance coverage. In the event the pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The Township has not been informed of any special assessments being required for the current year or the three prior years.

The Township continues to carry insurance for other risks of loss, including fidelity bonds.

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

NOTES TO FINANCIAL
MARCH 31, 2004

F. Property Tax Administration Fee

The Township passed a resolution to charge 1% administration fee on all ad valorem taxes levied. Also, a late penalty fee of 3% shall be added after February 14th and shall terminate on the last day of February. The resolution is to continue in force and effect until revoked by the Township Board.

The Township has determined that authorized costs of tax collection will be repeatedly in excess of the revenues generated by the administration fee so that a restricted earnings account is not reflected in these statements.

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

GENERAL FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

| | |
|----------------------|-----------|
| Cash | |
| Money Market Account | |
| Taxes Receivable | \$ 88,877 |
| | 4,751 |
| | <hr/> |
| TOTAL ASSETS | \$ 93,628 |
| | <hr/> |

LIABILITIES AND EQUITY

LIABILITIES

| | |
|----------------------|----------|
| Deferred Revenue | |
| Payroll Withholdings | \$ 4,751 |
| | 860 |
| | <hr/> |
| Total Liabilities | \$ 5,611 |

EQUITY

| | |
|------------------------------|-----------|
| Unreserved | |
| Undesignated | 88,017 |
| | <hr/> |
| TOTAL LIABILITIES AND EQUITY | \$ 93,628 |
| | <hr/> |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

GENERAL FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
BUDGET AND ACTUAL

FOR THE YEAR ENDED MARCH 31, 2004

| | BUDGET | ACTUAL | VARIANCE- FAVORABLE (UNFAVORABLE)) |
|---|-------------|------------|--|
| <u>RECEIPTS</u> | | | |
| Taxes | \$ 24,427 | \$ 29,128 | \$ 4,701 |
| State Grants | 43,000 | 39,703 | (3,297) |
| Charges for Services | 0 | 250 | 250 |
| Interest and Rents | 800 | 327 | (473) |
| Other Receipts | 0 | 387 | 387 |
| Total Receipts | \$ 68,227 | \$ 69,795 | \$ 1,568 |
| <u>DISBURSEMENTS</u> | | | |
| Legislative | | | |
| Township Board | \$ 12,053 | \$ 13,199 | \$ (1,146) |
| General Government | | | |
| Supervisor | 4,000 | 3,335 | 665 |
| Election | 1,500 | 0 | 1,500 |
| Assessor | 7,638 | 8,163 | (525) |
| Clerk | 8,339 | 8,339 | 0 |
| Board of Review | 1,600 | 1,480 | 120 |
| Treasurer | 12,000 | 11,481 | 519 |
| Building and Grounds | 9,042 | 9,042 | 0 |
| Cemetery | 1,200 | 572 | 628 |
| Public Works | 0 | 346 | (346) |
| Recreation and Cultural | 4,200 | 1,699 | 2,501 |
| Other Functions | 13,408 | 8,900 | 4,508 |
| Total Disbursements | \$ 74,980 | \$ 66,556 | \$ 8,424 |
| Excess of Receipts Over (Under) Disbursements | \$ (6,753) | \$ 3,239 | \$ 9,992 |
| <u>OTHER FINANCING SOURCES</u> | | | |
| Operating Transfers In (Out) | | | |
| General Fund | (10,000) | (10,000) | 0 |
| Excess of Receipts Over and Other Sources Over (Under) Disbursements | \$ (16,753) | \$ (6,761) | \$ 9,992 |
| <u>BALANCE - April 1, 2003</u> | 0 | 94,778 | 94,778 |
| <u>BALANCE - March 31, 2004</u> | \$ (16,753) | \$ 88,017 | \$ 104,770 |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS

MARCH 31, 2004

| | <u>ASSETS</u> | <u>ROAD FUND</u> | <u>FIRE FUND</u> | <u>TOTALS</u> |
|-------------------------------|--------------------------------|----------------------|----------------------|------------------|
| Cash | | | | |
| Money Market Accounts | | \$ 20,550 | \$ 0 | \$ 20,550 |
| Taxes Receivable | | 10,250 | 5,095 | 15,345 |
| | | | | |
| TOTAL ASSETS | | <u>\$ 30,800</u> | <u>\$ 5,095</u> | <u>\$ 35,895</u> |
| | | | | |
| | <u>LIABILITIES AND BALANCE</u> | | | |
| | | | | |
| <u>LIABILITIES</u> | | | | |
| Deferred Revenues | | \$ 10,250 | \$ 5,095 | \$ 15,345 |
| | | | | |
| <u>BALANCE</u> | | | | |
| Reserved for: | | | | |
| Road Improvement | | 20,550 | 0 | 20,550 |
| | | | | |
| TOTAL LIABILITIES AND BALANCE | | <u>\$ 30,800</u> | <u>\$ 5,095</u> | <u>\$ 35,895</u> |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

SPECIAL REVENUE FUNDS
COMBINING STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
FOR THE YEAR ENDED MARCH 31, 2004

| | ROAD FUND | FIRE FUND | TOTALS |
|--|------------------|--------------|------------------|
| <u>RECEIPTS</u> | | | |
| Taxes | \$ 43,733 | \$ 21,524 | \$ 65,257 |
| Interest and Rents | 50 | 0 | 50 |
| Total Receipts | \$ 43,783 | \$ 21,524 | \$ 65,307 |
| <u>DISBURSEMENTS</u> | | | |
| Public Safety | \$ 0 | \$ 21,524 | \$ 21,524 |
| Public Works | 68,408 | 0 | 68,408 |
| Total Disbursements | \$ 68,408 | \$ 21,524 | \$ 89,932 |
| Excess of Receipts Over (Under) Disbursements | \$ (24,625) | \$ 0 | \$ (24,625) |
| <u>OTHER FINANCING SOURCES</u> | | | |
| Operating Transfers In General Fund | 10,000 | 0 | 10,000 |
| Excess of Receipts and Other Sources Over (Under) Disbursements | \$ (14,625) | \$ 0 | \$ (14,625) |
| <u>BALANCE - April 1, 2003</u> | 35,175 | 0 | 35,175 |
| <u>BALANCE - March 31, 2004</u> | <u>\$ 20,550</u> | <u>\$ 0</u> | <u>\$ 20,550</u> |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

ROAD FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

| | |
|----------------------|------------------|
| Cash | |
| Money Market Account | |
| Taxes Receivable | \$ 20,550 |
| | <u>10,250</u> |
| TOTAL ASSETS | \$ <u>30,800</u> |

LIABILITIES AND BALANCE

| | |
|--------------------------------|------------------|
| <u>LIABILITIES</u> | |
| Deferred Revenue | \$ 10,250 |
| <u>BALANCE</u> | |
| Reserved for Road Improvements | <u>20,550</u> |
| TOTAL LIABILITIES AND BALANCE | \$ <u>30,800</u> |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

ROAD FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Taxes

Current Property Taxes

\$ 37,006

Delinquent Property Taxes

6,727

\$ 43,733

Interest and Rents

Interest Earnings

50

Total Receipts

\$ 43,783

DISBURSEMENTS

Public Works

Highways, Streets and Bridges

Other Services and Charges

Road Maintenance

68,408

Excess of Receipts Over

(Under) Disbursements

\$ (24,625)

OTHER FINANCING SOURCES

Operating Transfers In

General Fund

10,000

Excess of Receipts and Other Sources

Over (Under) Disbursements

\$ (14,625)

BALANCE - April 1, 200335,175BALANCE - March 31, 2004\$ 20,550

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

FIRE FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Taxes Receivable

\$ 5,095

LIABILITIES AND BALANCE

LIABILITIES

Deferred Revenue

\$ 5,095

BALANCE

0

TOTAL LIABILITIES AND BALANCE

\$ 5,095

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

FIRE FUND
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

Taxes

Current Property Taxes

Delinquent Property Taxes

| | |
|----|--------------|
| \$ | 18,235 |
| | <u>3,289</u> |

Total Receipts

| | |
|----|--------|
| \$ | 21,524 |
|----|--------|

DISBURSEMENTS

Public Safety

Fire Protection

Other Services and Charges

Aid to Other Government

| | |
|--|---------------|
| | <u>21,524</u> |
|--|---------------|

Excess of Receipts Over

(Under) Disbursements

| | |
|----|---|
| \$ | 0 |
|----|---|

BALANCE - April 1, 2003

| | |
|--|----------|
| | <u>0</u> |
|--|----------|

BALANCE - March 31, 2004

| | |
|----|-----------------|
| \$ | <u><u>0</u></u> |
|----|-----------------|

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF ASSETS AND LIABILITIES ARISING FROM CASH TRANSACTIONS
MARCH 31, 2004

ASSETS

Cash

Money Market Account

\$ 316

BALANCE

\$ 316

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

RECEIPTS

| | | | | |
|-----------------------------------|--|----|---------|------------|
| Current Tax Collections | | \$ | 410,651 | |
| Overcollections from Taxpayers | | | 258 | |
| Property Tax Administration Fee | | | 4,053 | |
| Delinquent Penalties and Interest | | | 2,898 | |
| Dog Licenses | | | 49 | |
| Total Receipts | | | | \$ 417,909 |

DISBURSEMENTS

| | | | | |
|---------------------------------|----|---------|----|---------|
| Payments to County Treasurer | | | | |
| Current Tax | | | | |
| County | \$ | 85,522 | | |
| County - State Education Tax | | 73,930 | | |
| Penalties and Interest | | 143 | | |
| Delinquent Tax | | 1,078 | | |
| Dog Licenses | | 49 | | |
| | | | \$ | 160,722 |
| Payments to Township Treasurer | | | | |
| Current Tax | | | | |
| Operating | \$ | 17,150 | | |
| Fire | | 18,235 | | |
| Roads | | 37,006 | | |
| Delinquent Tax | | 575 | | |
| Property Tax Administration Fee | | 4,053 | | |
| | | | | 77,019 |
| Payments to School Treasurer | | | | |
| Current Tax | | | | |
| Lake City Area School | \$ | 6,227 | | |
| Houghton Lake Community Schools | | 120,521 | | |
| Delinquent Tax | | | | |
| Houghton Lake Community Schools | | 648 | | |
| | | | | 127,396 |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

CURRENT TAX COLLECTION FUND

STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCE
FOR THE YEAR ENDED MARCH 31, 2004

| | | | |
|--|----|--------|-------------------|
| Payments to Intermediate School District Treasurer | | | |
| Current Tax | | | |
| COOR Intermediate | \$ | 10,796 | |
| Wexford-Missaukee | | 4,723 | |
| Delinquent Tax | | | |
| COOR Intermediate | | 33 | 15,552 |
| Payments to College Treasurer | | | |
| Current Tax | | | |
| Kirtland Community College | \$ | 29,436 | |
| Delinquent Tax | | 85 | 29,521 |
| Payments to Library Treasurer | | | |
| Current Tax | | | |
| Houghton Lake Public Library | \$ | 7,104 | |
| Delinquent Tax | | 21 | 7,125 |
| Refunds to Taxpayers for Overcollections | | | 258 |
| Total Disbursements | | | <u>417,593</u> |
| Excess of Receipts Over (Under) Disbursements | \$ | | 316 |
| <u>BALANCE</u> - April 1, 2003 | | | <u>0</u> |
| <u>BALANCE</u> - March 31, 2004 | \$ | | <u><u>316</u></u> |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

STATEMENT OF 2003 PROPERTY TAX ROLL
MARCH 31, 2004

TAXES ASSESSED

| | | | | |
|---------------------------------|----|--------|---------|------------|
| County | | \$ | 109,206 | |
| County - State Education Tax | | | 80,648 | |
| Township | | | | |
| Operating | \$ | 21,901 | | |
| Fire | | 23,330 | | |
| Roads | | 47,256 | 92,487 | |
| Schools | | | | |
| Houghton Lake Community Schools | | | 129,321 | |
| Lake City Area Schools | | | 8,398 | |
| Intermediate School | | | | |
| COOR Intermediate | | | 13,585 | |
| Wexford-Missaukee | | | 7,362 | |
| College | | | | |
| Kirtland Community College | | | 37,590 | |
| Library | | | | |
| Houghton Lake Public Library | | | 8,939 | \$ 487,536 |

TAXES COLLECTED

| | | | | |
|---------------------------------|----|--------|---------|---------|
| County | | \$ | 85,522 | |
| County - State Education Tax | | | 73,930 | |
| Township | | | | |
| Operating | \$ | 17,150 | | |
| Fire | | 18,235 | | |
| Roads | | 37,006 | 72,391 | |
| Schools | | | | |
| Houghton Lake Communtiy Schools | | | 120,521 | |
| Lake City Area Schools | | | 6,227 | |
| Intermediate School | | | | |
| COOR Intermediate | | | 10,796 | |
| Wexford-Missaukee | | | 4,723 | |
| College | | | | |
| Kirtland Community College | | | 29,436 | |
| Library | | | | |
| Houghton Lake Public Library | | | 7,104 | 410,650 |

BUTTERFIELD TOWNSHIP, MISSAUKEE COUNTY
MERRITT, MICHIGAN

STATEMENT OF 2003 PROPERTY TAX ROLL
MARCH 31, 2004

TAXES RETURNED DELINQUENT

| | | | | |
|---------------------------------|----|--------|--------|------------------|
| County | | \$ | 23,684 | |
| County - State Education Tax | | | 6,718 | |
| Township | | | | |
| Operating | \$ | 4,751 | | |
| Fire | | 5,095 | | |
| Roads | | 10,250 | 20,096 | |
| Schools | | | | |
| Houghton Lake Community Schools | | | 8,800 | |
| Lake City Area Schools | | | 2,171 | |
| Intermediate School | | | | |
| COOR Intermediate | | | 2,789 | |
| Wexford-Missaukee | | | 2,639 | |
| College | | | | |
| Kirtland Community College | | | 8,154 | |
| Library | | | | |
| Houghton Lake Public Library | | | 1,835 | \$ <u>76,886</u> |

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

June 14, 2004

LETTER OF COMMENTS AND RECOMMENDATIONS

To the Township Board
Butterfield Township
Missaukee County
Merritt, Michigan

As a result of our audit of the general-purpose financial statements of Butterfield Township for the year ended March 31, 2004, we would like to take this opportunity to comment on the following items relative to the management and accounting procedures of the Township.

Reportable Condition in Internal Controls

In planning and performing our audit of the general-purpose financial statements of Butterfield Township for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements.

Certain matters considered to be reportable conditions in internal controls were noted. We are issuing a separate letter (letter of reportable conditions) which addresses those items noted.

Property Tax Administration Fee

As reported in NOTE IV.F of the Notes to Financial Statements, the Township is charging a 1% property tax administration fee. The Township has determined that authorized costs of tax collection will be repeatedly in excess of revenue generated by the administration fee but has not formally taken action to write off this loss. We recommend that the Township keep subsidiary records which reflect property tax administration fee collections and costs that the board pass a motion to write off the loss annually.

Current Tax Fund Balance

As of March 31, 2004, a balance consisting of tax collections and other items remained in the Current Tax Collection Fund. We recommend that any balance remaining in the Current Tax Collection Fund be paid out to the appropriate governmental units prior to the end of the fiscal year.

Budgeting

P.A. 621 of 1978 states that the budget document that the Township adopts include the amount of fund balance accumulated through the end of the current year, and the amount expected at the end of the upcoming year, after applying the budgeted receipts and disbursements.

The Township board is also responsible for amending the budget during the year to allow for expenditures in excess of original appropriations, or to reduce appropriations if it appears the actual expenditures will be much less than originally appropriated.

The adoption of the budgets for each fund should be clearly noted in the board minutes, as well as any amendments to the budget throughout the year.

Computerized Recordkeeping

The use of the computer for recordkeeping has helped correct two issues we noted last year (payroll recorded at net, and no cash reconciliation).

We recommend that the Township continue to strive for improvements in the current fiscal year. Areas that could be improved upon are proper classification of receipts and disbursements within the general ledger. Such as, only posting payroll to salaries and wage accounts, and posting reimbursements to accounts such as office supplies or transportation. Also, the only receipts that should be written are for actual money received and in hand, not for expected future receipts.

GASB 34

The Governmental Accounting Board has issued statement number 34 which significantly changes the financial statement presentation for governmental entities following accounting principles generally accepted in the United States of America. We will assist the Township in determining the effect of GASB 34 on its financial statements when the implementation date of March 31, 2005, becomes closer.

We would like to thank the board for awarding our firm the audit assignment of the Township and to thank the township clerk and treasurer for their cooperation.

If you have any questions relative to the above comments and recommendations or other areas of your annual accounting, please feel free to call on us.

Very truly yours,

Baird, Cotter & Bishop, P.C.
BAIRD, COTTER AND BISHOP, P.C.

Baird, Cotter and Bishop, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

JOHN H. BISHOP, C.P.A.
ROBERT V. BEATTIE, C.P.A.
DOUGLAS P. McMULLEN, C.P.A.
JOHN F. TAYLOR, C.P.A.
STEVEN C. ARENDS, C.P.A.
SCOTT A. HUNTER, C.P.A.
JONATHAN E. DAMHOF, C.P.A.
MICHAEL D. COOL, C.P.A.

June 14, 2004

LETTER OF REPORTABLE CONDITIONS

To the Township Board
Butterfield Township
Missaukee County
Merritt, Michigan

In planning and performing our audit of the general-purpose financial statements of Butterfield Township, Missaukee County, Merritt, Michigan for the year ended March 31, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general-purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general-purpose financial statements.

The relatively small number of people involved in the accounting functions of the Township and the design of the accounting system as developed by the state make it difficult to adequately segregate duties. Segregation of accounting duties is a fundamental method of strengthening internal control. However, in deciding what internal control procedures should be implemented, the Board must consider the costs of implementing them and weigh those costs against the benefits to be derived from their implementation.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material to the general-purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that the condition described above is a material weakness.

This report is intended solely for the information and use of the Board and others within the organization. This restriction is not intended to limit the distribution of the report, which is a matter of public record.

Very truly yours,

Baird, Cotter & Bishop, P.C.
BAIRD, COTTER AND BISHOP, P.C.